

## **Assembly Joint Resolution No. 20**

### **RESOLUTION CHAPTER 66**

Assembly Joint Resolution No. 20—Relative to student loan interest rates.

[Filed with Secretary of State August 5, 2013.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

AJR 20, John A. Pérez. Federal Direct Stafford Loans: interest rates.

This measure would request that the Congress and the President of the United States enact legislation that prevents the doubling of interest rates for Federal Direct Stafford Loans and creates a long-term legislative solution to maintain affordable and reliable federal student loan rates while preserving funding for other federal educational programs and benefits.

WHEREAS, Just last year, Congress passed, and President Obama signed, an extension to maintain the interest rate for Federal Direct Stafford Loans at 3.4 percent through June 30, 2013; and

WHEREAS, On July 1, 2013, unless actions are taken, the interest rate for Federal Direct Stafford Loans will double from 3.4 percent to 6.8 percent; and

WHEREAS, This higher interest rate level is the same level that graduate students and unsubsidized loan borrowers pay, which could limit access to California's public postsecondary educational institutions by dissuading students from using loans to help pay for their postsecondary education; and

WHEREAS, The average student loan borrower graduates with a debt of \$27,000, and the scheduled interest rate increase for Federal Direct Stafford Loans would cost almost 10 million borrowers approximately \$1,000 more per year of education over the life of a loan; and

WHEREAS, Raising the interest rate for Federal Direct Stafford Loans will make it even harder for college graduates facing an already difficult postgraduation job market to repay their loans; and

WHEREAS, Student loan debt affects Americans of all ages, as 45 percent of all American families hold outstanding student loan debt, including 36 percent of families in households headed by a person 45 to 54 years of age, inclusive, 29 percent of families in households headed by a person 55 to 64 years of age, inclusive, and 13.3 percent of families in households headed by a person 65 to 73 years of age, inclusive; and

WHEREAS, Student loan debt has a ripple effect on the economy, as two million more adults 18 to 34 years of age, inclusive, live in a household headed by their parents; and

WHEREAS, Each new household leads to an estimated \$145,000 of economic growth, suggesting that a delay in household formation could be slowing broader economic growth; and

WHEREAS, The Bipartisan Policy Center estimates that Echo Boomers—those born between 1981 and 1995—will account for 75 percent to 80 percent of owner-occupied home acquisitions by 2020, yet the current homeownership rate for young people is among the lowest in decades while mortgage interest rates are at historically low levels; and

WHEREAS, Student loan debt also has a significant impact on retirement, as 62 percent of workers 30 to 39 years of age, inclusive, 20 percent of whom hold more than \$50,000 in student loan debt, are projected to have insufficient resources for retirement; and

WHEREAS, According to the Congressional Budget Office, the federal government makes 36 cents in profit for every dollar it lends to all student borrowers, and student loans are estimated to bring in \$34 billion next year alone; and

WHEREAS, Higher education loans should be used to subsidize the cost of higher education, not to be used as a source of profit for the federal government; and

WHEREAS, Federal Direct Stafford Loans have been a critical component, in addition to other forms of financial aid, for low- and middle-income students working towards a postsecondary degree, and over two-thirds of student loan borrowers are from families with annual incomes under \$50,000; now, therefore, be it

*Resolved by the Assembly and the Senate of the State of California, jointly,* That the Legislature respectfully requests that the Congress and the President of the United States enact legislation that prevents the doubling of interest rates for Federal Direct Stafford Loans and creates a long-term legislative solution to maintain affordable and reliable federal student loan rates while preserving funding for other federal educational programs and benefits; and be it further

*Resolved,* That the Chief Clerk of the Assembly transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the United States House of Representatives, to the Majority Leader of the United States Senate, and to each Senator and Representative from California in the Congress of the United States.